



FOR IMMEDIATE RELEASE

August 5, 2011

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BAUCUS, HATCH, CAMP, LEVIN CALL ON IRS TO ENSURE AN ORDERLY REINSTATEMENT OF FAA TAXES

Tax Committee Leaders Call on IRS to Focus on Resuming Tax Collection Instead of Pursuing Retroactive Taxes

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) and Ranking Member Orrin Hatch (R-Utah), with House Ways and Means Chairman Dave Camp (R-Mich.) and Ranking Member Sander Levin (D-Mich.) urged the IRS, in a letter yesterday, to appropriately use its discretion and authority as it administers the reinstatement of Federal Aviation Administration (FAA) taxes, now that a bill has been passed to extend the authorization to collect certain taxes, such as on airline tickets and freight. When the FAA temporarily shut down some operations in July, the IRS stopped collecting the ticket taxes, which are used to finance industry infrastructure projects like airport repairs and safety upgrades. The IRS would normally be required to collect the lost revenue once the FAA resumes normal functions, but the Finance and Ways and Means leaders, whose committees have jurisdiction over tax policy, asked that the IRS concentrate on restarting its FAA tax collection systems and processes going forward, rather than collecting ticket taxes retroactively.

“We are concerned about the impact on consumers and the aviation industry if these taxes are collected retroactively,” the Committee leaders wrote to IRS Commissioner Shulman. **“Furthermore, we understand that the IRS has limited resources—some of which will be required to restart systems and processes to begin collecting these taxes again going forward—and that the retroactive collection of trust fund taxes would add further strain to those resources. Therefore, we encourage you to utilize all your discretion and authority to extend relief for passengers and airlines with respect to ticket taxes that were not paid or collected because of the lapse and provide the industry a three day period of time to restart processes to collect the taxes.”**

The full text of the letter is below:

August 4, 2011

The Honorable Douglas H. Shulman
Commissioner
Internal Revenue Service
1111 Constitution Ave., NW
Washington, DC 20224

Dear Commissioner Shulman:

At midnight on July 22, 2011, the “Airport and Airway Extension Act of 2011, Part III” expired. The lack of an extension in expenditure authority from the Airport and Airway Trust Fund (trust fund), along with the expiration of excise taxes that support the trust fund means that since midnight on July 22, those taxes that expired have not been collected. The taxes that have expired include the 7.5 percent of fare tax charged to domestic air passengers, the domestic flight segment tax, and portions of the excise tax on non-commercial aviation fuel.

Tomorrow, August 5, 2011, we expect the Senate to pass H.R. 2553, the “Airport and Airway Extension Act of 2011, Part IV.” As it was written and passed by the House of Representatives before July 22, this legislation does not contemplate a period of time where the trust fund taxes have lapsed. Given the August recess, it is not possible to consider the elimination of retroactive application of trust fund taxes at this time. As the Chairmen and Ranking Members of the tax writing committees in Congress, we are concerned about the impact on consumers and the aviation industry if these taxes are collected retroactively. Furthermore, we understand that the IRS has limited resources—some of which will be required to restart systems and processes to begin collecting these taxes again going forward—and that the retroactive collection of trust fund taxes would add further strain to those resources. Therefore, we encourage you to utilize all your discretion and authority to extend relief for passengers and airlines with respect to ticket taxes that were not paid or collected because of the lapse and provide the industry a three day period of time to restart processes to collect the taxes.

Sincerely,

Senator Max Baucus
Senator Orrin Hatch
Congressman Dave Camp
Congressman Sander Levin

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